

PROPOSED RESOLUTION

Resolution W-5045
DWA

AGENDA ID# 13986 (Rev. 2)
ITEM #12

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5045
June 25, 2015

RESOLUTION

(RES. W-5045) NORTH GUALALA WATER COMPANY. ORDER AUTHORIZING A RATE INCREASE PRODUCING AN ADDITIONAL ANNUAL REVENUE OF \$190,390, or 20.77%, FOR TEST YEAR 2015, AND A MONTHLY SURCHARGE OF \$7.46 OVER A 60-MONTH PERIOD FOR THE AMORTIZATION OF \$471,121 FROM NORTH GUALALA WATER COMPANY'S WATER SUPPLY COMPLIANCE MEMORANDUM ACCOUNT FOR EXPENSES ASSOCIATED WITH COMPLIANCE WITH THE STATE WATER RESOURCES CONTROL BOARD'S ORDERS WR 2001-14 AND WR 2009-0036.

SUMMARY

By Advice Letter 91 filed on January 20, 2015, North Gualala Water Company seeks an increase in rates of \$315,990 to recover increased operating expenses and utility plant investment. North Gualala Water Company also seeks authority through this same Advice Letter to amortize \$471,121 from its Water Supply Compliance Memorandum Account for 2006 through 2012 expenses incurred to comply with the State Water Resources Control Board's (SWRCB) Orders WR 2001-14 and WR 2009-0036-EXEC and to implement a \$9.55 monthly customer surcharge over a period of 48-months to recover the amortized amount.

This Resolution: 1) grants North Gualala Water Company an increase in gross annual revenues of \$190,390, or 20.77%, for Test Year 2015, which is estimated to provide a Rate of Margin of 20.21%; and 2) allows North Gualala Water Company to amortize the \$471,121 from its Water Supply Compliance Memorandum Account and implement a \$7.46 monthly customer surcharge over 60-months to recover the amortized amount. Division of Water and Audits recommends a 60-month amortization period instead of the 48-months requested by North Gualala Water Company to reduce the rate impact on its customers from implementing the general rate increase and Water Supply Compliance Memorandum Account surcharge simultaneously.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

BACKGROUND

North Gualala Water Company (NGWC) has requested authority through Advice Letter (AL) 91 under General Order (GO.) 96-B, Water Industry Rule 7.3.3(5), and Section 454 of the Public Utilities Code to increase its water rates by \$315,990, or 34.47%, for Test Year (TY) 2015 estimated to produce a Rate of Margin (ROM) of 20.54%. By AL 90 filed on January 20, 2015, NGWC requested an interim rate increase in accordance with Commission Resolutions (Res.) W-4950 and W-4658. AL 90 was approved on January 26, 2015 with an effective date of January 20, 2015, and authorized an interim rate increase of 1.5% based on Consumer Price Index (CPI), resulting in an increase in annual revenues in the amount of \$13,753. NGWC's interim rate increase is subject to refund or increase, relative to the rates established in this general rate case (GRC) by this resolution. NGWC's last GRC was granted on May 24, 2012 by Commission Res. W-4916, which authorized a rate increase in revenues of \$205,923, or 27.10% for TY 2010.

Also by AL 91, NGWC requests Commission authority to amortize \$471,121 from its Water Supply Compliance Memorandum Account (WSCMA) for consulting expenses NGWC incurred during the 2006 through 2012 time period to comply with State Water Resources Control Board's (SWRCB) WR 2001-14¹ and WR 2009-0036-EXEC² Orders (SWRCB's Orders) requiring the company to prepare: 1) a Water Supply Contingency Plan (WSCP) to address its water supply issues; 2) a new water rights application and necessary studies supporting the application; 3) a water conservation plan; and 4) evaluation of alternative supply projects to meet current and/or anticipated municipal water demand. More information regarding the SWRCB's Orders is provided below; in addition Table 1 in Appendix E of this resolution provides a list of the consulting services, expenditures, and projects NGWC undertook to comply with SWRCB's Orders.

NGWC is a Class C water utility with 1,052 metered service connections (921 residential and 131 commercial service connections). NGWC serves the community of Gualala and vicinity in Mendocino County. NGWC's service area covers approximately 12.4 square miles and includes the town of Gualala on the south, the community of Anchor Bay on

¹ June 21, 2001, Order Denying Reconsideration of Decision Disapproving Water Supply Contingency Plan and Surface Flow Management Plan.

² June 9, 2009, Order Approving Settlement Agreement and Imposing Terms for Cease and Desist.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

the North, rural areas around and between these communities along State Highway 1, and rural areas along the coastal ridge near Old Stage Road. NGWC's service area is divided into 10 pressure zones. Most of the pressure zones have tank storage and a total system-wide storage tank capacity of approximately 1.38 million gallons.

NGWC derives part of its water supply from two coastal streams, Robinson Gulch and Big Gulch (coastal streams), which are surface water diversions. Water from this source of supply is treated through a water treatment plant (with an estimated capacity of 100 gallons per minute (gpm) or 0.22 cubic feet (cfs)) then conveyed into a 134,000 gallon storage tank for distribution to the lower portion of NGWC's distribution system.

NGWC's additional source of supply comes from two wells numbered 4 (W4) and 5 (W5) located in Elk Prairie along the North Fork Gualala River. W4 and W5 have a pumping capacity of about 250 gpm, and under Water Rights Permit (Permit) No. 14853 the company is allowed year-round direct diversion of up to 2 cfs for municipal purposes. However for the "protection of fish and wildlife" ³ Term 9 of Permit No. 14853 requires that the following bypass flows must be met before water diversions are allowed:

<u>Season</u>	<u>Required Bypass (cfs)</u>
November 15 to February 29	40
March 1 to May 31	20
June 1 to November 14	4

Water from this source of supply is pumped to NGWC's Top of Pacific Woods storage facility, which has a storage capacity of about 525,000 gallons where it is chlorinated for disinfection and system distribution.

Because of NGWC's inability to fully comply with the bypass flow restrictions under Term 9 of Permit No. 14853 listed above, the SWRCB by WR 99-011⁴ directed NGWC to prepare a WSCP to address how the company would meet its municipal water demands when it was limited in its ability to pump from W4 and W5 due to flow restrictions.⁵ NGWC submitted the WSCP as required, and on April 2001 the SWRCB

³ The North Fork Gualala River provides habitat for steelhead trout and coho salmon.

⁴ November 18, 1999, Order Requiring Preparation of Water Supply Contingency Plan and Dismissing Petition for Reconsideration.

⁵ November 18, 1999, SWRCB's WR 99-011, pgs. 6 and 7.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

found NGWC's WSCP and Surface Water Measurement Plan (SWMP) deficient. NGWC filed a petition for reconsideration challenging SWRCB's finding which was denied by Order WR 2001-14.

On October 2008, the SWRCB issued an Administrative Civil Liability Complaint and a draft Cease and Desist Order to NGWC for not complying with Term 9 of Permit No. 14853, which the company also challenged. Then on June 2009, by Order WR 2009-0036-EXEC, NGWC and SWRCB's prosecution team reached a settlement agreement where NGWC agreed to: 1) file a petition for change in the existing bypass term in Permit No. 14853, or a new application to appropriate water to address NGWC's inability to meet its current bypass term during the November 15 through March 31 season; 2) address the WSCP's deficiencies; 3) not make any new service connections to its existing water supply system, unless such connections were the subject of an intent-to-serve letter dated prior to October of 2008; and 4) revise its SWMP. NGWC complied with the terms of the settlement agreement and on April 21, 2015 the SWRCB's Division of Water Rights approved NGWC's WSCP filed on September 3, 2010 with the addendum to the WSCP filed on February 9, 2015.⁶ The SWRCB however indicates in its approval letter that in order for NGWC to maintain full compliance with the Order WR-2009-0036-EXEC, NGWC must:

1. Implement and satisfy all conditions of the WSCP;
2. Continue surface streamflow measurement for bypass monitoring and reporting to the SWRCB; and
3. Diligently pursue the processing of pending Water Rights Application (Application) No. 31792 that was filed with SWRCB on July 21, 2009.

NGWC in its WSCP estimates a current peak-day demand shortfall when the water flow restrictions are in effect of 0.42 cfs or 189 gpm⁷ and a future peak-day shortfall of 0.456 cfs or 207 gpm (20 year future projection based on a 1.0 to 3.1 percent annual growth rate). NGWC's WSCP also identifies the following water conservation measures and best management practices it is implementing to comply with SWRCB's Orders: 1) implementation of the Mandatory Water Conservation Program (MWCP) under Tariff Rule and Schedule 14.1, authorized by Commission Res. W-5002 on September 11, 2014, which is triggered when the bypass flow restrictions are in effect; 2)

⁶ SWRCB's April 21, 2015 letter to Mr. Bower.

⁷ WSCP, pg. 2. Based on NGWC's 2006 through 2008 maximum day demand of 0.47 cfs and estimated peak day demand of 0.61 cfs, applying a peak day factor of 1.3 to 3-year average demand .

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

leak detection and repair program; 3) metering of all customers and tiered rate pricing tariff schedule; and 4) moratorium on new service connections.

To address the current demand shortfall, NGWC filed Application No. 31792 requesting authority from SWRCB to divert 0.7 cfs (185 acre feet per year) during the November 15 through May 31 season when diversions are not authorized under the Term 9 of Permit No. 14853. In addition, NGWC is pursuing development of groundwater wells. NGWC plans to complete the construction of one additional well (Well #6) in April of 2016, pending approval of NGWC's State Revolving Fund (SRF) loan request by SWRCB. NGWC also plans to start in the fall of 2016 to drill five new test wells at the locations identified through its WSCP over a period of five years, and add to its water system the well(s) that prove to have sustainable production and good water quality. Additionally, Commission resolutions W- 4678 and W-4778 have granted NGWC the authority to borrow up to \$500,000 in SRF loans for the planning and development of its groundwater supply and source capacity.⁸

NOTICE AND PROTEST

AL 91 was served in accordance with General Order (GO) 96-B on January 23, 2015, and a notice of the proposed rate increase and public participation meeting was mailed to each customer and to the general service list on February 25, 2015.

Two customer letters questioning the magnitude of the rate increase were timely received, and the utility replied. An informal public participation meeting was held on March 19, 2015, at the NGWC's business office conference room located at 38958 Cypress Way in North Gualala. The meeting started at 6:00 PM, and approximately 20 customers attended the meeting. Staff from Division of Water and Audits (Division) provided an overview of the Commission's rate case process for class B, C, and D water utilities, and NGWC representatives provided an overview of its rate increase request and also explained the reasons for the proposed rate increase. NGWC representatives also explained the company's request for amortization of \$471,121 from its WSCMA. Customers raised concerns about the magnitude of the rate increase and asked

⁸ Commission Res. W-4678, dated March 13, 2008 granted NGWC authority to borrow \$100,000 under the SRF loan program and a \$1.72 monthly surcharge per customer for five years, and Res. W-4778, dated May 26, 2011 granted NGWC authority to borrow an additional \$400,000 for engineering and geological studies of potential well sites, off-stream water storage reservoir, and preparation of long-term plan on storage capacity and system requirements. To date NGWC has spent \$80,387 of the funds it has received and is waiting to receive approval by SWRCB for its SRF loan request.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

questions regarding the company's expenditures and WSCMA. Division staff and the NGWC representatives answered questions until approximately 8:00 PM.

In setting rates in this resolution, we have balanced the financial requirements of NGWC with the rate concerns of its customers.

DISCUSSION

The Division made an independent analysis of NGWC's rate increase request. Appendix A provides NGWC's and the Division's estimated Summary of Earnings (SOE) at present, requested and recommended rates. NGWC was informed of the Division's differing views of revenues, expenses, and rate base and agrees with the Division's findings.

Operating Expenses

The Division reviewed operating revenue and expenses including employee labor, materials, contract work, transportation expenses, other volume related expenses, office and management salaries, office supplies and expenses, insurance, general expense, depreciation, and taxes other than income. The Division verified the operating expenses by reviewing supporting documents for substantiation and accuracy, and included the amounts that were deemed reasonable and prudent.

For estimating professional services for TY 2015, Division escalated the amount authorized for professional services by Res. W-4916 for TY 2010 to TY 2015 using the annual non-labor escalation rates provided in the Division of Ratepayer Advocates (DRA) April 14, 2015 memorandum.⁹ The Division's recommended amount for professional services for TY 2015 includes an annual amount of \$51,872 the company is currently collecting in rates for expenditures incurred during 2000 through 2006 defending its water rights that were included as part of the professional services expenditures approved by Res. W-4714. Cost recovery of these expenditures should be completed by October 1, 2016, and by Commission Res. W-4916, NGWC is required to file a Tier 2 AL by September 1, 2016 to reduce its rates by the \$51,872.¹⁰

⁹ April 14, 2015 Office of Ratepayer Advocates memorandum on estimates of non-labor and wage escalation rates from the March 2015 HIS Global Insight U.S. Economic Outlook.

¹⁰ Res. W-4916, Ordering Paragraph 5.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

Utility Plant and Rate Base

For TY 2015, the Division's analysis of NGWC's rate base estimate included examining utility plant-in-service from the company's last general rate case authorized by Res. W-4916, utility plant additions, material and supplies, working cash, and depreciation reserve. The Division overall concurs with NGWC's rate base calculations for TY 2015; the only difference is a lower working cash amount resulting from a lower recommended amount for operating expenses. NGWC's and the Division's rate base estimates for TY 2015 are provided in Appendix A of this resolution.

Rate of Margin

NGWC's rate increase request was based on a ROM of 20.54%. In accordance with Commission ratemaking policy adopted by Decision (D.) 92-03-09, two methods are available for the Division to utilize for ratemaking for Class C and D water utilities, the Rate of Return (ROR) and ROM methods.¹¹ D. 92-03-09 directs the Division to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater return.¹² In this case for NGWC, the Division determined that the ROM method produced the higher revenue requirement and therefore recommends that the ROM method be used for NGWC's TY 2015 GRC.

For 2015, the Division's recommended ROM for a Class C water utility is 20.21%.¹³ In determining the ROM for Class C and D water utilities, the Division considers class B water utilities most recent authorized average rates of return of 10.20%, their most recent authorized equivalent average ROM of 19.26%, and the recommended RORs for class C and D water utilities. The Division's analysis was therefore based on an ROM of 20.21%. Using this ROM, the Division calculates a revenue requirement of \$1,107,225.

¹¹ The revenue requirement and rates using the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin.

¹² D. 92-03-093, Ordering Paragraph 8.

¹³ Division of Water and Audits' March 12, 2015, memorandum regarding Rates of Return and Rates of Margin for Class C and D Water Utilities: <http://www.cpuc.ca.gov/NR/rdonlyres/B0B16EBF-3955-4C03-BDE7-C74A83462991/0/2015DWAMemoROR.pdf>.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

Rates and Rate Design

NGWC's provides water service under one rate schedule: Schedule No. 1, General Metered Service. NGWC proposes no changes to the rate design and tiered rate structure adopted by Res. W-4714 for its general metered service. At the recommended ROM the increase in revenue will be \$190,390 or 20.77% for TY 2015. The rates proposed by the Division are shown in Appendix B. At the recommended rates for TY 2015, the estimated monthly bill for a customer with a 5/8 x 3/4-inch meter size service connection and an average water consumption of 4.0 Ccf (2,992 gallons) will increase from \$64.88 to \$79.88 or 21.98%. A comparison of customer bills at present and recommended rates is provided in Appendix C of this resolution.

Water Supply Compliance Memorandum Account

NGWC's WSCMA was approved on October 8, 2006 by AL 62-W for the company to track and record expenses incurred complying with the SWRCB's Orders which included expenditures associated with: 1) the engineering analysis of the various alternative water supply projects; 2) the preparation of the required environmental documents to comply with California Environmental Quality Act (CEQA) for the project(s) under consideration; 3) the collection of biological and geological data required for the reports; and 4) all other costs necessary to comply with SWRCB's Orders.

NGWC in this GRC requests Commission authority to amortize \$471,121 for the expenses incurred during 2006 through 2012 to comply with the SWRCB's Orders requiring NGWC to revise its May 18, 2000 WSCP and include the information and analysis on the following: 1) present and anticipated demand on a monthly basis; 2) information on the minimum amount of water needed to maintain health and safety; 3) availability of water from other sources to meet municipal water demand when flows in the North Fork Gualala River fall below the minimum bypass requirements; 4) evaluation of alternative water supply projects to meet current and/or anticipated municipal water demand; and 5) a conservation plan to be implemented if curtailment of diversions is needed in order to comply with the bypass flow requirements and other water right permit conditions.

The SWRCB's also required NGWC to revise its October 2000 surface streamflow measurement plan; and to file a petition to change the existing bypass term in Permit No. 14853, or a new application to appropriate water, to address the company's inability to meet the current bypass term during the November 15 through March 31 period. NGWC complied with SWRCB's Order and submitted its revised streamflow measurement plan and filed water rights Application No. 31792 on July 21, 2009

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

requesting authority from the SWRCB to divert 0.7 cfs during the November 15 through May 31 season when diversions are not authorized under term 9 of Permit No. 14853, as directed by the SWRCB. NGWC's Application No. 31792 is under review by SWRCB. Table 1 in Appendix E provides a list of the consulting services hired by NGWC, associated costs, and a description of the consulting work associated with those services.

The criteria used by the Commission for amortization of memorandum accounts require the utility to demonstrate the following: 1) the costs recorded in the memorandum account are not covered by other authorized rates; 2) the utility acted prudently when it incurred these costs; 3) the utility paid reasonable amounts for these costs; and 4) it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates.¹⁴

The Division reviewed NGWC's expenses and supporting documentation for each expense item recorded in the company's WSCMA and confirmed that the 2006 through 2012 expenditures are for the company's compliance with SWRCB's Orders. Division also reviewed expenses authorized in NGWC's last GRC and confirmed that these expenditures are not included in the company's authorized water rates.

The Division also finds that NGWC acted prudently in incurring the expenses since the studies NGWC undertook and water rights application, described in Table 1 of Appendix E of this resolution, were necessary to comply with SWRCB's Orders to find alternative sources of water supply to address the company's shortages under its existing water rights restrictions and ensure an adequate water supply for its customers. Accordingly, the Division finds it appropriate for NGWC customers to pay for these costs in addition to otherwise authorized rates since the potential water supply sources identified in WSCP and new water rights application will benefit NGWC's customers to ensure an adequate source of water supply for its customers.

Based on the Division review of the invoices provided by NGWC for the consulting services it hired for work listed in Appendix E, the Division finds the consulting amounts charged (i.e., hourly rates) are consistent with what professional consulting firms charge in their respective fields of expertise. The Division therefore finds that NGWC paid reasonable amounts for the services provided.

Accordingly, the Division finds that NGWC has met the burden for amortization of the \$471,121 from its WSCMA. However, the Division recommends that the amortization of these expenses be done over a period of five years (60-months) instead of the four

¹⁴ This criterion was used Commission Res. W-5011, Res. W-4962, and Res. W-4928.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

years (48-months) requested by NGWC to minimize the rate impact on its customers of simultaneously implementing the general rate increase and WSCMA surcharge. Based on a 60-month amortization period and 1,052 active service connections, the Division calculated a \$7.46 monthly customer surcharge per service connection for amortization of the \$471,121.

COMPLIANCE

NGWC has no outstanding Commission orders and has been filing annual reports as required. NGWC is in compliance with SWRCB's Division of Drinking Water applicable water quality standards for safe drinking water.

UTILITY SAFETY

Safety for water utilities considers a number of factors such as water quality, system design, operation and maintenance, and service. The Commission's General Order (GO) 103-A provides the rules for water service, minimum standards for operation, maintenance, design and construction for the regulated water utilities. As previously noted, NGWC is in compliance with the SWRCB's water quality standards for safe drinking water. NGWC does not fully meet the GO 103-A source capacity requirements under Section II.2.B(3) because of the bypass flow restrictions under Permit No. 14853 and NGWC's inability to pump from wells W4 and W5 when the flow restrictions are in effect. However, as previously discussed, the company's WSCP, that was approved by the SWRCB on February 9, 2015, provides a plan for addressing this water supply deficiency through development of additional ground water wells that were identified through its WSCP and by seeking additional water rights to divert 0.7 cfs (185 Acre Feet per year) during the November 15 through May 31 season when diversions are not permitted under the existing Permit No. 14853. Accordingly, the Division finds NGWC is taking the necessary steps to bring the water system into compliance with GO 103-A standards and operating and maintaining the water system in a manner that provides safe and reliable water service for its customers.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

Accordingly, this proposed resolution was mailed to the utility and its service list, and made available for public comment on May 22, 2015.

One comment letter was received on June 8, 2015. The customer in its comment letter objects to NGWC's customers being responsible for paying the company's consulting costs incurred as result of its compliance with SWRCB's Orders. As previously discussed, Division finds it appropriate for NGWC's customers to pay for the costs associated with the consulting services listed in Appendix E of this resolution because the consulting work was necessary for the preparation of NGWC's WSCP and to support the new water rights application filing with the SWRCB to address the water supply shortages the company faces when it is limited in its ability to pump from W4 and W5 due to the bypass flow restrictions imposed by Permit 14853. Thus, the potential water supply sources identified in WSCP and new water rights application will benefit NGWC's customers by ensuring the company has an adequate source of water supply to meet the peak-day demand shortfall when the water restrictions are in effect.

FINDINGS

1. The Summary of Earnings (Appendix A) recommended by Division of Water and Audits (Division) is reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. After the rates approved by this Resolution become effective, North Gualala Water Company (NGWC) should be allowed to file a Tier 2 Advice Letter within 30 days to collect the under-collected revenues from January 20, 2015, the interim rate date, to the effective date of the new rates.
5. NGWC meets the Commission's criteria for amortization of \$471,121 from its Water Supply Compliance Memorandum Account for consulting expenses incurred during 2006 through 2012 to comply with State Water Resources Control Board's Orders WR 2001-14 and WR 2009-0036-EXEC and authority should be granted to NGWC to implement a \$7.46 monthly customer surcharge per service connection over a period of 60-months to recover the amortized amount.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

THEREFORE, IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for North Gualala Water Company to file a supplemental Advice Letter with the revised rate schedule attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedule No. 1, General Metered Service. The effective date of the revised schedule shall be five days after the date of filing.
2. North Gualala Water Company is authorized to file a Tier 2 Advice Letter within 30 days from the effective date of the authorized rates to collect the under-collected revenues from January 20, 2015, the interim rate date, to the effective date of the new rates established by this Resolution. This Advice Letter should become effective upon approval by the Division of Water and Audits.
3. Authority is granted to North Gualala Water Company to amortize \$471,121 from its Water Supply Compliance Memorandum Account for consulting expenses incurred during 2006 through 2012 to comply with SWRCB Orders WR 2001-14 and WR 2009-0036-EXEC and to implement a \$7.46 monthly customer surcharge per service connection over a period of 60-months to recover the amortized amount.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 25, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX A

North Gualala Water Company Summary of Earnings Test Year 2015

		NGWC		DWA	
		Present Rates	Requested Rates	Present Rates	Recommended Rates
Operating Revenues					
	Metered	\$ 916,835	\$ 1,232,825	\$ 916,835	\$ 1,107,225
Total Revenue		\$ 916,835	\$ 1,232,825	\$ 916,835	\$ 1,107,225
Operating Expenses					
610	Purchased Water	\$ -	\$ -	\$ -	\$ -
615	Purchased Power	\$ 81,322	\$ 81,322	\$ 74,610	\$ 74,610
618	Other Volume Related Expenses	\$ 4,055	\$ 4,055	\$ 4,055	\$ 4,055
630	Employee Labor	\$ 151,657	\$ 151,657	\$ 151,657	\$ 151,657
640	Materials	\$ 23,001	\$ 23,001	\$ 23,001	\$ 23,001
650	Contract Work	\$ 44,444	\$ 44,444	\$ 44,444	\$ 44,444
660	Transportation Expenses	\$ 36,763	\$ 36,763	\$ 36,763	\$ 36,763
664	Other Plant Maintenance	\$ -	\$ -	\$ -	\$ -
670	Office Salaries	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
671	Management Salaries	\$ 87,333	\$ 87,333	\$ 87,333	\$ 87,333
674	Employee Pensions and Benefits	\$ 55,757	\$ 55,757	\$ 55,757	\$ 55,757
676	Uncollectable Accounts	\$ 1,233	\$ 1,233	\$ 1,233	\$ 1,233
678	Office Services and Rentals	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
681	Office Supplies and Expenses	\$ 42,520	\$ 42,520	\$ 41,976	\$ 41,976
682	Professional Services	\$ 146,412	\$ 146,412	\$ 87,277	\$ 87,277
684	Insurance	\$ 33,802	\$ 33,802	\$ 33,802	\$ 33,802
688	Regulatory Commission Expense	\$ 10,483	\$ 10,483	\$ 8,817	\$ 8,817
689	General Expenses	\$ 5,840	\$ 5,840	\$ 5,840	\$ 5,840
800	Capitalize Expense	\$ (14,212)	\$ (14,212)	\$ (14,212)	\$ (14,212)
Subtotal		\$ 791,410	\$ 791,410	\$ 723,353	\$ 723,353
403	Depreciation	\$ 55,640	\$ 55,640	\$ 55,640	\$ 55,640
408	Taxes Other Than Income	\$ 75,231	\$ 75,231	\$ 75,231	\$ 75,231
409	State Income Taxes	\$ 800	\$ 27,452	\$ 5,535	\$ 22,365
410	Federal Income Taxes		\$ 93,656	\$ 8,561	\$ 73,198
Total Deductions		\$ 923,081	\$ 1,043,389	\$ 868,320	\$ 949,787
Net Revenue		\$ (6,246)	\$ 189,436	\$ 48,515	\$ 157,438
Rate Base					
	Average Plant	\$ 8,260,577	\$ 8,260,577	\$ 8,260,577	\$ 8,260,577
	Average Dep. Reserve	\$ 1,720,035	\$ 1,720,035	\$ 1,720,035	\$ 1,720,035
Net Plant		\$ 6,540,542	\$ 6,540,542	\$ 6,540,542	\$ 6,540,542
Less:	Advances				
	Contributions in Aid of Construction	\$ 5,523,714	\$ 5,523,714	\$ 5,523,714	\$ 5,523,714
	Deferred Income Tax				
Plus:	Construction Work in Progress				
	Working Cash	\$ 65,951	\$ 65,951	\$ 60,279	\$ 60,279
	Materials and Supplies	\$ 16,557	\$ 16,557	\$ 16,557	\$ 16,557
Rate Base		\$ 1,099,336	\$ 1,099,336	\$ 1,093,664	\$ 1,093,664
Rate of Margin		-0.74%	22.36%	6.23%	20.21%

END OF APPENDIX A

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX B

Schedule No. 1

(page 1 of 2)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Gualala and vicinity located approximately 15 miles south of Point Arena, Mendocino County.

RATES

For 5/8 x 3/4 inch meter:

First 300 cu. ft. of water, per 100 cu. ft. \$ 7.65 (I)

Over 300 cu. ft. of water, per 100 cu. ft. \$ 9.72 (I)

All other meter sizes:

All water, per 100 cu. ft. \$ 9.72 (I)

Per Meter Per Month

Service Charge

SDWBA Surcharge

5 yr SDWBA Surcharge

For 5/8 x 3/4-inch meter	\$ 46.46 (I)	\$ 14.70	\$ 1.67
For 3/4-inch meter	\$ 69.69 (I)	\$ 22.05	\$ 2.50
For 1-inch meter	\$ 116.15 (I)	\$ 36.75	\$ 4.17
For 1-1/2-inch meter	\$ 232.31 (I)	\$ 73.50	\$ 8.35
For 2-inch meter	\$ 371.69 (I)	\$ 117.60	\$13.36
For 3-inch meter	\$ 696.92 (I)	\$ 220.50	\$25.04
For 4-inch meter	\$1,161.54 (I)	\$ 367.50	\$41.74

The service charge is a readiness to service charge, which is applicable to all metered service and to which is added the monthly charges computed at Quantity Rates.

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX B

Schedule No. 1

(Page 2 of 2)

GENERAL METERED SERVICE

SPECIAL CONDITIONS

1. All bills are subject to reimbursement fee set forth on Schedule UF.
2. The SDWBA (Safe Drinking Water Bond Act) surcharge is in addition to the water bill. This surcharge must be identified on each bill. The surcharge is specifically for the repayment of the California SDWBA loan authorized by Resolution F-645 and Resolution W-4108.
3. A late charge will be imposed per Schedule No. LC.
4. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the company, service to subsequent tenants in that unit will, at the company's option, be furnished on the account of the landlord or property owner.
5. As authorized by Commission Res. W-5045, all bills are subject to \$7.48 monthly surcharge over a period of 60-months, from the effective date of this tariff, for the amortization of \$471,121 from NGWC's Water Supply Compliance Memorandum Account for expenditures incurred from 2006 through 2012 for NGWC's compliance with State Water Resources Control Board's Orders WR 2001-14 and WR 2009-036-EXEC. (N)

END OF APPENDIX B

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX C

North Gualala Water Company COMPARISON OF RATES Test Year 2015

Metered Service

		<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Percent</u> <u>Increase</u>
<u>Per Meter Size:</u>				
	5/8 x 3/4-inch	\$ 40.00	\$ 46.46	16.15%
	3/4-inch	\$ 60.00	\$ 69.69	16.15%
	1-inch	\$ 100.00	\$ 116.15	16.15%
	1 1/2-inch	\$ 200.00	\$ 232.31	16.15%
	2-inch	\$ 320.00	\$ 371.69	16.15%
	3-inch	\$ 600.00	\$ 696.92	16.15%
	4-inch	\$ 1,000.00	\$ 1,161.54	16.15%
<u>Quantity Charge:</u>				
	First 3 Ccf per Ccf:	\$ 5.83	\$ 7.66	31.31%
	Over 3 Ccf per Ccf:	\$ 7.39	\$ 9.72	31.56%

An estimated monthly bill comparison for a customer with a 5/8 x 3/4-inch meter

	<u>Usage</u> <u>per 100 cubic feet (Ccf)</u>	<u>Present</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
	0	\$ 40.00	\$ 46.46	\$ 6.46	16.15%
	3.0	\$ 57.49	\$ 69.43	\$ 11.94	20.76%
Average	4.0	\$ 64.88	\$ 79.15	\$ 14.27	21.99%
	6.0	\$ 79.66	\$ 98.59	\$ 18.93	23.77%
	9.0	\$ 101.83	\$ 127.76	\$ 25.93	25.47%

END OF APPENDIX C

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX D

North Gualala Water Company Adopted Quantities Test Year 2015

1. Purchased Power	\$74,610
Total kWh	357,291
Estimated Average Cost Per kWh	\$0.21
Energy Provider	Pacific Gas and Electric Company
Energy Tariff Schedules	A-1, A-6, A-10S
2. Water Sales in Ccf	58,500
3. Metered Service Connections	
5/8" X 3/4-inch	1,028
3/4 -inch	7
1-inch	10
1 1/2-inch	5
2-inch	2
Total	1,052
4. Payroll	
Employee Labor	\$151,657
Office Salaries	\$75,000
Management Salaries	\$87,333
5. Payroll Taxes	\$27,033
6. Property Taxes	\$48,198

<u>Tax Calculations</u>	<u>TY 2015</u>
Operating Revenues	\$1,107,225
Operating Expenses	\$723,353
Taxes Other than Income	\$75,231
Depreciation	\$55,640
Taxable Income for State	\$253,001
State Taxes	22,365
Taxable Income for Federal	\$230,636
Federal Income Taxes	\$73,198

END OF APPENDIX D

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX E

Table 1 (1/2)

Consultant	Consulting Services	Costs
<i>Wagner and Bonsignore Consulting Civil Engineers</i>	1) Preparation of engineering report on the alternative water supply options for North Gualala Water Company's (NGWC) Water Supply Contingency Plan (WSCP). 2) Preparation of NGWC's WSCP required by State Water Resources Control Board's (SWRCB) Orders WR 2001-14 and WR 2009-0036-EXEC; 3) Technical assistance for NGWC's loan application to the California Department of Public Health (CDPH); 4) Technical assistance with NGWC's water rights Application 31792 for new water-rights permit and petitions for extension of time for Permit 14853; and 5) Technical assistance in the preparation of NGWC's streamflow measurement plan required by SWRCB.	\$ 103,073
<i>John T. Phillips, Certified Engineering Geologist</i>	Geological services provided to NGWC during drill exploration and test production wells.	\$20,051
<i>Weeks Drilling & Pump Company</i>	For drilling of four exploration wells of which resulted in identifying two potential wells with water production, but only one well (Well #6) resulted as a viable source of supply with an expected sustainable water production capacity 15 to 35 gallons per minute, which NGW C anticipates bringing on line in 2016.	\$44,112
<i>Luhdorff & Scalmanini, Consulting Engineers</i>	Well #6 pump testing, including installation of pressure transducer to measure water levels, water quality sampling, water level plotting, pumpage data and analysis of test results;	\$13,879

PROPOSED RESOLUTION

Resolution W-5045
DWA

June 25, 2015 (Rev. 2)

APPENDIX E

Table 1 (2/2)

Consultant	Consulting Services	Costs
Rau and Associates, Inc. Civil Engineers and Land Surveyors	Water supply, test wells, and fisheries planning.	\$7,778
<i>Stillwater Sciences</i>	Preparation of technical report on the North Fork Gualala River's salmonoid habitat and population investigation for water rights Application No. 31792 and petition for extension of time for Permit 14853 to determine instream flow criteria that are protective of fishery resources in the North Fork Gualala River.	\$115,522
<i>Surface Water Resources, Inc.</i>	Review and analysis of North Fork Gualala River water temperature and aquatic habitat and preparation of technical memorandum.	\$3,781
<i>Bartkiewicz, Kronick & Shanahan</i>	Legal assistance to NGWC for : 1)compliance with SWRCB's Orders, 2) response to draft cease-and-desist order, 3) settlement negotiations; 4) preparation of the applications to California Department of Public Health for loans and grants; 5) review of technical reports and WSCP for submission to SWRCB, and 6) water right application 31792 and petitions of extensions of time for Permit 14853 filings.	\$108,366
<i>Analytical Environmental Services (AES)</i>	Development of environmental setting baseline data for the Environmental Impact Report for water rights Application 31792.	\$43,378
<i>Other</i>	1) \$7,252 SWRCB required payment for costs of cease-and desist order process; 2) \$3,332 payment to Gualala Redwoods for temperature and aquatic habitat study; 3) \$595 payment to Gualala River Watershed for temperature and aquatic habitat study.	\$11,179

END OF APPENDIX E

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5045 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 22, 2015 at San Francisco, California.

/s/DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Third Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

NORTH GUALALA WATER COMPANY

ADVICE LETTER NO. 91

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